Growers' Wine COMPANY LIMITED

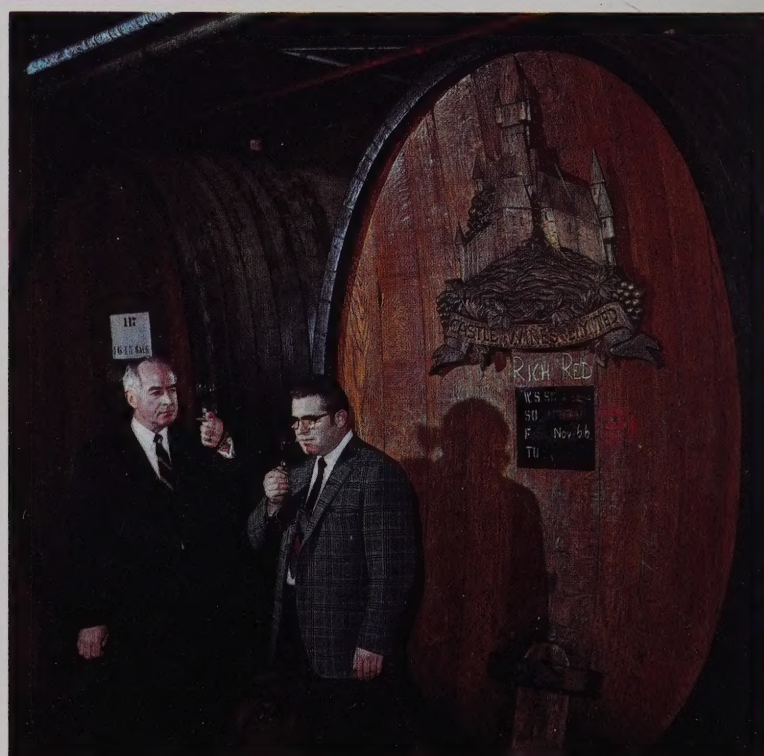
AND WHOLLY-OWNED SUBSIDIARIES

FORTY-SEVENTH

Annual Report

1969

LAWRENCE L. ANDERSON, JR., *President of Growers' Wine Company Limited, is justly proud of the Castle family of fine wines and other Growers' products. During Mr. Anderson's first year as president several notable changes have been made in the company's product line, including the introduction of Beau Séjour Canadian Champagne. A total of 37 distinct products make up the Growers' family.*



PERFECTION IS THE MINIMUM STANDARD *required of each and every bottle of wine produced for Castle Wines Limited. Here B. H. Roberts (left), Chairman of the Board of Growers' Wine Company Limited, and Franz Helmer, Winemaster, scrutinize the clarity, aroma and taste of a sample of Beau Séjour Rich Red in the cool underground cellars of the Victoria winery.*

Growers' Wine
COMPANY LIMITED

Incorporated under the Laws of the
Province of British Columbia

HEAD OFFICE
3948 QUADRA STREET,
VICTORIA, BRITISH COLUMBIA

CORPORATE AND EXECUTIVE OFFICERS

Brian H. Roberts, C.A., *Chairman of the Board*

Lawrence L. Anderson, Jr., *President*

A. D. Lauder, *Vice-President*

Ronald M. Statham, C.G.A., *Secretary-Treasurer*

Franz Helmer, *Winemaster*

DIRECTORS

L. L. Anderson, Jr., Charles P. Hayes, Franz Helmer,
Brent A. Langley, A. D. Lauder, Brian H. Roberts,
George G. Ross, Ernest C. Warner

BANKERS

Bank of Montreal, Victoria, B.C.

AUDITORS

Green, Horwood, Munro & Co., Chartered Accountants,
Victoria, B.C.

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company, Vancouver, B.C.

CAPITAL

AUTHORIZED: 800,000 Class "A" Cumulative,
Exchangeable, Non-Callable Shares of No Par Value

1,600,000 Class "B" Shares of No Par Value

60,000 Redeemable 5% Preference Shares of
$1.00 each Par Value

ISSUED AND FULLY PAID: 124,934 Class "A" Shares
1,096,010 Class "B" Shares

The President reports to the Shareholders

I am pleased to present the consolidated financial statements of the company for the year ended December 31, 1969, reflecting an increase in net sales of 17% and an increase in net earnings after taxes of 27%.

It should be pointed out that this increase in net earnings was achieved despite increased borrowing costs and heavy losses in our Beau Sejour Vineyards during the unusually cold winter of 1968-1969.

Marketing

Our increase in sales is partially the result of an increase in our share of total Canadian wine sales in our major market, the four western provinces. Significant sales increases were also achieved in all but two provinces outside of our major market area, and action has been taken to correct the trend in these two non-western provinces.

Sales increases were achieved in every one of our product families, but were particularly large in our Beau Séjour family of premium wines for all occasions and in our Ste. Michelle family of prestige table wines. The profitability and sales growth of these two product families was enhanced by the introduction of Beau Séjour Canadian Champagne—a delightful, semi-dry (sec) wine, full of life and flavour, and Chateau Rouge—a dry, Bordeaux-type, full-flavoured, still, red dinner wine with a distinctive after taste and subtle bouquet.

B.C. Sparkling Cider and our Duet line of sparkling grape and berry wines also showed large increases, bearing testimony to the growing market for light, refreshing and bubbly alternatives to beer and hard liquors. The sale of our B.C. Sparkling Cider received an extra boost from our new attention-getting label.

Our Vali Vinta berry wines continue to show excellent sales progress and are distributed all over Canada. Judging from sales results and other indications, the new packaging which was introduced for five of our old favourites in our Growers' family—Bon Red,

Bon White, Slinger's Grape, Slinger's White Port and Vin Supreme, has been a success.

The elimination of our Vancouver office achieved the double purpose of reducing overhead and increasing the valuable "selling time" of our field representatives via a centralization of all administrative functions at the home office. Although we have sharply reduced marketing overhead, new full-time representatives have been hired to accentuate development of our potentials in Northern Alberta and Ontario.

Manufacturing

We are constructing a large extension to our central warehouse not only to accommodate our growing sales volume, but also to permit longer bottling runs resulting in fewer change-overs and less down-time on the bottling line. The increased warehouse space will also cut the double handling of glass to a minimum because glass can be stored near point of use rather than in separate, scattered sheds. Other capital investments being made from internally generated funds are similarly designed either to accommodate increased sales volume or to reduce costs.

The progress of our Moose Jaw winery has been excellent due to an increasing demand for our products in the Prairie provinces, Ontario and Quebec.

Non-productive Assets

During 1969 we continued a program of divesting ourselves of non-productive assets in order to reduce the company's debt as well as to provide for capital investments needed to reduce manufacturing costs and accommodate increased volume. In line with this, we sold our Vancouver warehouse and at the same time increased our operational efficiency. We also granted a purchase option on our Logana Farms property which is presently standing idle. In line with this same policy, we have put up for sale our property on McKenzie Avenue and our Beau Sejour Vineyards. Our decision to sell the Beau Sejour Vineyards is based upon the belief that we must concentrate our resources and energies on wine-making rather than diverting part of them toward grape growing, an entirely different business. We wish to provide B.C. grape growers with a market for their grapes, not to compete with them in grape growing.

Cost Control

Changes during 1969 in our accounting and other internal information systems have greatly improved our ability to control costs by giving department heads sufficient detailed information to analyze actual monthly results, compare them to monthly forecasts and take immediate corrective action on controllable variances.

In conclusion, I would like to stress that the policy of our company is to make rapid and significant increases in profitability without in any way diminishing our excellent prospects for long term profitability and growth in the exciting and rapidly developing wine industry. The encouraging progress which has already been made towards these goals is due mainly to the abilities, loyalty, and enthusiasm of all members of the staff. They are a dynamic team.

PRESIDENT

Consolidated

DECEM
(*with comparat*

ASSETS

CURRENT	1969	1968
Cash	$ 150	$ 3,710
Accounts receivable	756,323	634,242
Special refundable tax	1,277	6,369
Income taxes refundable	1,000	—
Inventories—at lower of average cost or net realizable value		
Wines and spirits	2,222,708	1,966,361
Materials and supplies	188,633	209,394
Portion of agreement for sale and mortgage due within one year	1,357	1,161
Prepaid expenses and deposits	13,799	26,513
	3,185,247	2,847,750
INVESTMENTS—at cost		
Agreement for sale and mortgage less portion due within one year which is included as a current asset	69,017	30,374
OTHER		
Deferred charges—Note 3	9,571	7,460
FIXED—at cost		
Land, buildings and equipment	5,039,934	4,656,853
Less: Accumulated depreciation	1,456,863	1,354,363
	3,583,071	3,302,490
	$6,846,906	$6,188,074

Approved on behalf of the Board
LAWRENCE L. ANDERSON, JR., *Director*
BRIAN H. ROBERTS, *Director*

Audit

The Shareholders, Growers' Wine Company Limited.

We have examined the Consolidated Balance Sh
subsidiaries as at December 31, 1969 and the Consolida
and Use of Funds for the year then ended. Our exami
and such tests of accounting records and other supporti

In our opinion these financial statements present f
31, 1969 and the results of their operations and the
accordance with generally accepted accounting princip
except for the treatment of future years' tax reductio

February 6, 1970. GRE

D AND WHOLLY-OWNED SUBSIDIARIES

3alance Sheet

: 31, 1969

igures for 1968)

LIABILITIES

	1969	1968
CURRENT		
Bank overdraft	$ 159,995	$ 180,814
Bank loan—secured—Note 6	1,447,000	1,000,000
Demand loan—Imperial Tobacco Company of Canada Limited	1,640,000	1,640,000
Accounts payable	376,302	471,688
Income taxes payable	—	4,056
	3,623,297	3,296,558
ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS— Note 2	467,535	321,022
TOTAL LIABILITIES	4,090,832	3,617,580

SHAREHOLDERS' EQUITY

	1969	1968
SHARE CAPITAL		
Authorized: 800,000 Class A shares, no par value—Note 5		
1,600,000 Class B shares, no par value		
60,000 Redeemable 5% preference shares, $1.00 par value		
Issued: 124,934 Class A shares	29,718	29,718
1,096,010 Class B shares	493,896	493,896
RETAINED EARNINGS—Statement 2	2,209,680	2,024,100
SURPLUS ARISING UPON CONSOLIDATION	22,780	22,780
	2,756,074	2,570,494
	$6,846,906	$6,188,074

The accompanying notes are an integral part of the financial statements.

Report

Growers' Wine Company Limited and wholly-owned atements of Earnings and Retained Earnings and Source included a general review of the accounting procedures dence as we considered necessary in the circumstances. he financial position of the Companies as at December and use of their funds for the year then ended, in plied on a basis consistent with that of the preceding year described in Note 1.

IORWOOD, MUNRO & CO., *Chartered Accountants*

Consolidated Statement of Earnings and Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968
SALES	$5,230,439	$4,461,858
Less: Sales and excise taxes	1,174,985	1,003,545
NET SALES	4,055,454	3,458,313
Less: Cost of sales	2,240,336	1,954,533
	1,815,118	1,503,780
Add: Commissions earned	5,360	10,002
	1,820,478	1,513,782
DEDUCT:		
Plant, selling and administration expense	1,120,541	981,112
Depreciation	146,832	112,127
Interest	239,207	192,989
	1,506,580	1,286,228
Net earnings from operations before other items	313,898	227,554
Other income and expense	(7,295)	1,605
Net earnings before income taxes	306,603	229,159
Less: Income taxes	156,556	110,664
NET EARNINGS	150,047	118,495
RETAINED EARNINGS AT BEGINNING OF YEAR	2,024,100	1,596,414
Add: Gain on disposal of investment	—	322,958
Gain (loss) on disposal of fixed assets	46,772	(1,274)
Capitalization of prior year's expenses	1,254	—
	2,222,173	2,036,593
Less: Dividends on Class "A" shares	12,493	12,493
RETAINED EARNINGS AT END OF YEAR	$2,209,680	$2,024,100
Earnings per Common Share after providing for dividends on Class "A" shares	11.3¢	8.7¢

Explanatory Notes TO DECEMBER 31, 1969 FINANCIAL STATEMENTS

1. PROVISION FOR INCOME TAXES—The current provision for income taxes has been reduced and current net earnings have been increased by $17,160 by recording income tax reductions that will arise in future years from the application of current losses of certain subsidiaries against future earnings of those subsidiaries.

In the year ended December 31, 1968, the application of prior years' losses of certain subsidiaries reduced income taxes otherwise payable on 1968 consolidated earnings by $16,365.

2. DEPRECIATION AND INCOME TAXES—Capital cost allowances available for income taxes are sufficiently in excess of depreciation expense shown in the statements to defer payment of $163,673 income taxes.

Because these deferred income taxes will become payable at some future date when depreciation expense exceeds capital cost allowances available, this amount of $163,673 less reductions of $17,160 as explained in Note 1 has been set aside on the Balance Sheet and included in Accumulated Tax Reductions Applicable to Future Years.

Consolidated Statement of Source and Use of Funds

FOR THE YEAR ENDED DECEMBER 31, 1969

SOURCE OF FUNDS DURING THE YEAR	1969	1968
Operations		
Net Earnings	$ 150,047	$ 118,495
Charges not involving an outlay of funds		
—Depreciation	146,832	112,127
—Tax reductions applicable to future years	146,513	97,415
—Other non-cash charges	—	6,650
	443,392	334,687
Disposal of fixed assets	73,281	—
Disposal of investments	—	416,873
Current portion of other assets	1,357	6,313
	518,030	757,873
USE OF FUNDS DURING THE YEAR		
Additions to fixed assets	452,668	720,993
Mortgage taken on disposal of fixed assets	40,000	—
Increase in deferred charges—net	2,111	7,460
Dividends paid	12,493	12,493
	507,272	740,946
Increase in working capital during the year	10,758	16,927
Working capital deficiency at beginning of year	448,808	465,735
Working capital deficiency at end of year	$ 438,050	$ 448,808

3. DEFERRED CHARGES—Certain mould costs and other expenditures benefiting more than the current year have been treated as deferred charges and will be charged against earnings in future years.

4. COMMITMENTS—The Company is committed by contract or otherwise obliged to capital expenditures of approximately $205,000 for the year 1970.

5. SHARE RIGHTS AND RESTRICTIONS—Class "A" shares are preferred as to dividends, cumulative, non-callable, exchangeable and non-voting unless dividends are six quarters in arrears.

6. BANK LOAN—As security for its loan the Bank of Montreal has a first charge against the Companies' inventories and accounts receivable.

7. DIRECTORS' REMUNERATION—Directors of the Companies received the following remuneration:

Directors' fees	$ 2,500
Salary and benefits of directors who are employed as officers of the Company	$67,100

Ste. Michelle

A prestige line of high quality, still and crackling tables wines.

Crackling Rosé

A slightly dry, lively, pink, sparkling wine, particularly enjoyable with meals and suitable for any occasion.

Crackling White Dry

A light, delicate, dry sparkling wine for dinner or entertaining.

Crackling White Medium Dry

A delightful, full-bodied, semi-dry, sparkling wine for dinner or entertaining.

Canadian Rhine Castle

A soft, medium sweet, Rhine-type white still wine with a delightful bouquet and subtle flavour.

Chardonnay

A still, light, dry white dinner wine with a delicate flavour and fleeting after-taste.

Rougelais

A light, medium dry, full-flavoured, still, red dinner wine with a subtle after-taste.

Chateau Rouge

A dry, Bordeaux-type, full-flavoured, still, red dinner wine with a distinctive after-taste and subtle bouquet.

Still Rosé

A delicate, rosy-pink, medium dry table wine with a light, fruity taste and delightful aroma.

Beau Séjour

A popular line of premium wines for all occasions.

Canadian Champagne

A delightful, semi-dry (sec), excitingly sparkling wine, full of life and flavour. Perfect for celebrating every occasion.

Regal Sherry

A dry, smooth, carefully aged sherry with a distinctive bouquet—an excellent aperitif.

Medium Dry Sherry

A mellow, delicately-flavoured medium dry, all purpose sherry.

Cream Sherry

A rich, smooth, full-flavoured and fully aged, sweet sherry.

Regal Port

A medium dry, ruby red, full bodied, after-dinner wine.

Port

A soft, medium sweet, tawny port with a delightful bouquet.

Regal Muscatel

A distinctive, golden-coloured, full-bodied, sweet dessert and after-dinner wine.

Red Dry

A light, refreshing, dry red wine with a robust flavour and superb after-taste.

Rich Red

A smooth, mellow, medium sweet red wine with a delicate, fruity bouquet; ideal for all occasions.

Medium Red

A light, smooth, ruby red, medium sweet wine with a delightful, fruity aroma.

Rich White

A smooth, pale-golden, medium sweet white wine with a delightful bouquet.

Sauterne

A medium dry, light-bodied, golden white dinner and all purpose wine with a distinctive after-taste.

White Dry

A light, refreshing, dry white wine with a delightful flavour and superb after-taste.

Vali Vinta

A family of premium quality berry wines with distinctive, natural fruit flavours.

Cream Loganberry

A full-bodied, medium sweet wine with the beautiful bouquet and subtle after-taste of fresh loganberries.

Cream Raspberry

A medium sweet raspberry wine, distinctive in taste, delicate in body and with a beautiful bouquet.

Cream Strawberry

A smooth, medium sweet wine capturing the exciting flavour, delicate bouquet and all the goodness of fresh strawberries.

Cream Cherry

A light, full-flavoured medium sweet wine with all the taste, bouquet and colour of Okanagan cherries.

Logana

A refreshing, medium dry loganberry wine, light in body and full in flavour, with a distinctive bouquet and fleeting after-taste.

Growers'

A range of all-purpose, popular priced wines.

Bon Red

A pleasant medium sweet red wine with a fruity bouquet and robust flavour.

Bon White

A pleasant, medium sweet, full-flavoured white wine with a fruity bouquet.

Slingers' Grape

A light, rosé-coloured, refreshing medium sweet wine.

Slingers' White Port

A medium sweet, full-bodied, white port with a delightful, fruity bouquet.

Vin Supreme

A light, refreshing, medium sweet, choice blend of blackberry and loganberry wines.

Duet

Crackling Rosé—
Grape or Raspberry

Very light, lively, refreshing, truly sparkling wines with distinctive bouquets.

Cider

B.C. Sparkling—Medium or Dry

Light and excitingly sparkling, with the refreshing natural taste of delicious Okanagan apples.

Cocktail

45 Per

A wine-based rum cocktail.

Brandy

Growers' 4-Star
Loganberry Brandy

A beautiful brandy, with a distinctive bouquet, for all festive occasions and ideal for mixed drinks.


GROWERS
sparkling cider
DRY
GROWERS
B.C. sparkling cider
DRY
GROWERS
B.C. sparkling cider
MEDIUM
Contains 6-12 oz. bottles
Push handle
GROWERS
B.C. sparkling cider
MEDIUM
GROWERS
B.C. sparkling cider
DRY
GROWERS
sparkling cider
MEDIUM
sparkling cider
MEDIUM


St. Michelle
CHARDONNAY
Dry
Pétillant
St. Michelle
Crackling Rosé
St. Michelle
MEDIUM DRY
St. Michelle
ROUGELAIS
St. Michelle
Canadian Rhine Castle
Medium Dry
St. Michelle
CHATEAU ROUGE
Dry Table Wine
St. Michelle
STILL ROSÉ
Medium Dry